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GOVT PURCHASE

SCHEDULE A - 1

NON-PROFIT HOUSING PROGRAM
SASKATCHEWAN

Agreement between "Canada Mortgage and Housing Corporation" and "Saskatchewan Housing Corporation".

This Program will be delivered and administered by the Saskatchewan Housing Corporation (SHC).

1. OBJECTIVE

To assist households in need to obtain affordable, adequate and suitable rental housing.

2. PROGRAM DESCRIPTION

The Non-Profit Housing Program provides subsidized rental housing projects owned and operated by Saskatchewan, its Municipalities, Public or Private Non-Profit Housing Corporations and Non-Profit Continuing Cooperative Housing Associations. The maximum annual subsidy payable to any project, without on-site care or support services, is equal to the difference between eligible annual operating costs and revenues, and is shared on a 75/25 basis by Canada and Saskatchewan. The maximum annual assistance to special purpose projects is the difference between the amount required to amortize eligible project costs over a maximum of 35 years and the amount required to amortize such costs if the interest rate charged were 2 percent per annum, shared on a 75/25 basis by Canada and Saskatchewan.



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Rents are calculated according to a rent-to-income scale and adjusted household incomes as defined in Appendix "1" of this Schedule. Projects may be financed by Saskatchewan or privately financed by an uninsured loan or by an NHA insured loan made by an NHA Approved Lender. In all cases loans will be amortized over the lesser of the useful life of the project or 35 years for up to 100% of total lending value.

For private non-profit and cooperative projects, a comparative project selection process will be used by SHC, to ensure the best targeted and most cost-effective projects are committed. Proposal development funding loans may be made available on a cost-shared basis to eligible private non-profit sponsors and continuing cooperative associations to facilitate their participation in the process.

Enabling Federal Legislation:

National Housing Act:

- Insured Loans - Part I;
- Subsidy Assistance - Section 56.1;
- Proposal Development Funding - Section 37.1.

Enabling Provincial Legislation:

Saskatchewan Housing Corporation Act

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3. ELIGIBILITY CRITERIA

3.1 Sponsors

Eligible sponsors/owners are SHC, Municipalities, Public or Private Non-Profit Housing Corporations and Non-Profit Continuing Cooperative Housing Associations which are eligible contribution recipients defined in the Act. All capital or shares in a Public Non-Profit Housing Corporation will be owned by a public body, including a municipality, province or other level of government. No capital or shares in a Private Non-Profit Housing Corporation will be owned by a public body. The shares in a Non-Profit Continuing Cooperative Housing Association are owned by the members.

Sponsors/owners will establish 31 December as the financial year-end for each project to be approved under this program.

3.2 Clients

Eligible clients are those households who are in core housing need, as defined in the Global Agreement, with total household income as defined in Appendix "1" which falls below the core need income threshold, and those with a special purpose housing need.

3.3 Projects

Projects can be developed through new construction, the purchase of existing housing with or without subsequent rehabilitation, and the conversion of existing buildings.

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Any building form which can be produced at costs within the program guidelines as agreed to by SHC and CMHC will be eligible for assistance under the program. Projects may include compatible non-residential community, care or commercial space which is financially self-supporting.

At least 5% of the units produced under the program each year, in non-special purpose projects, will be accessible and designed as "mobility" units, as defined in program guidelines. Demand will be considered in determining the number of "mobility" units in any particular project.

Further modifications to these units may be undertaken to meet the needs of particular clients. As outlined in program guidelines, such modifications are eligible for cost-sharing.

3.4 Occupants

SHC will ensure that all households selected to occupy projects/units receiving cost-shared assistance under the program are households in need. As a first priority, "mobility" units are to be occupied by households in need in which at least one person is physically disabled.

4. ELIGIBLE PROJECT COSTS/ASSISTANCE

4.1 Proposal Development Funding

Interest-free repayable loans of up to \$75 000 per project will be provided by SHC to support the development of project proposals by private non-profit groups and non-profit continuing cooperative housing groups

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intending to serve low income individuals and families and the disabled. Non-budgetary and budgetary funds associated with these loans will be shared on a 75/25 basis by Canada and Saskatchewan. The maximum loan to any sponsor will depend on the size and complexity of the proposed project and the work to be done in each successive phase of project development, as described in program guidelines. Activities for which funding may be provided include: incorporation; legal costs; demand studies; best buy analysis; economic feasibility analysis; soil tests; site plans; drawings and specifications; preliminary capital and operating cost estimates; and options/offers to purchase.

Initial proposal development funding loans of up to \$10 000 per project may be provided to enable eligible sponsors to prepare applications for conditional allocations. Where new construction or major renovations are planned, the initial loan may be increased by \$150 per planned unit, up to a cumulative maximum of \$30 000. Further loans increases can be provided to a cumulative maximum of \$75 000 to enable sponsors, who have been awarded a conditional allocation, to complete all outstanding requirements for a timely commitment.

4.2 Eligible Project Capital Costs

A project's total eligible costs pertain only to the units committed under the program and are for the residential portion only, as specified in program guidelines. These costs include, but are not limited to, land

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acquisition and servicing, construction/rehabilitation/conversion, landscaping costs, resource group/consultant fees, organization expenses, interest and other fees and charges as outlined in the program guidelines, and must not exceed the lesser of the actual eligible costs or the Maximum Unit Price applicable to the units at the time of commitment.

Interest rates must be competitive and acceptable to CMHC and SHC. Interest rates used where financing is provided by SHC shall not exceed the lowest rate available from major NHA - approved lenders for comparable loans.

4.3 Ineligible Project Capital Costs

Projects may contain residential dwelling units in addition to those committed under the program, as well as non-residential space. No costs associated with the development, financing or operation of the additional units or non-residential space will be eligible for cost-shared assistance under the program. Ineligible residential and non-residential costs will include a prorated share of the project's soft costs, the land value, and costs of mechanical systems.

4.4 Acceptable Project Capital Costs/Lending Value

Acceptable project costs, used to determine the lending value, are the eligible costs within the Maximum Unit Price, the cost of the ineligible residential portion plus the cost of additional non-residential space which

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cannot exceed 15 percent of the cost of the residential portion of the project and 20 percent of its floor area.

4.5 Costs Eligible for Assistance

Only the actual eligible project costs of the residential component of a project within the Maximum Unit Price are eligible for cost-shared subsidy assistance.

4.6 Insured Loans

When SHC has entered into a loan insurance agreement with CMHC, approved lender loans for up to 100% of a project's lending value can be insured by CMHC under Part I of the Act. SHC will ensure that insured loans to all eligible sponsors will be at interest rates and terms acceptable to CMHC and SHC at the time of commitment.

5. PROJECT SELECTION/DELIVERY PROCESS

5.1 Targeting

SHC will ensure that all units in this program are allocated within the geographic areas specified in the Operating Agreement and to priority groups in accordance with the approved three-year plan attached as Schedule B to the Operating Agreement. Taking into account the planning process, SHC shall assist families and senior citizens within the priority groups with the intent to direct assistance in accordance with their share of core housing need relative to each other. Within the core

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housing need income limits, the number of units directed to households at the upper income levels shall not exceed their proportionate share of need.

SHC will ensure that a proportion of the annual allocation under this program, to be agreed upon with CMHC, and specified annually in Schedule B of the Operating Agreement, is made available to Private Non-Profit Housing Corporations, including Non-Profit Continuing Cooperative Housing Associations.

5.2 Project Selection

Public and private non-profit sponsors will be awarded conditional allocations to support their continuation in the project development process and the achievement of a timely commitment. A conditional allocation is not a commitment and can be withdrawn should it become evident that a proposal will be unable to meet all project eligibility and commitment criteria or the deadline for a final application.

Projects selected for conditional allocations will meet selection criteria acceptable to CMHC and SHC and will be the most cost-effective available in terms of the annual subsidy requirements for the given unit type mix. Cost-effectiveness will be separately determined for family and senior projects. It is based on the ratio of estimated eligible project costs less related equity contributions, to its Maximum Unit Price. Projects with the lowest ratio will be considered the most cost-effective.

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5.3 Project Selection - Public Non-Profits and Special Purpose

SHC will develop and select the best targeted and most cost-effective public non-profit and special purpose private non-profit projects after weighing the relative merits of new construction versus the acquisition of existing structures and after assessing the costs and benefits of various housing acquisition techniques appropriate to local market conditions.

5.4 Project Selection - Private Non-Profits and Cooperatives

Projects to be developed by Private Non-Profit Housing Corporations and Non-Profit Continuing Cooperative Housing Associations will be selected, wherever demand may exceed the allocation in a market area, on the basis of a comparative process. This process will be described in Schedule B of the Operating Agreement and will allow the comparison of proposals on the basis of criteria and cost-effectiveness measurements acceptable to CMHC and SHC prior to the awarding of proposal development funding or a conditional allocation. Where demand is less than the allocation in a market area, SHC will take steps to ensure the development of appropriately targeted and cost-effective projects.

6. COMMITMENT

6.1 Proposal Development Funding

A proposal development funding loan commitment is deemed made each time SHC approves a proposal

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development loan or loan increase, to a cumulative maximum of \$75 000 for each eligible project.

The reporting of budget take-up shall be dollars of capital committed. Dollars of capital equals the amount of the loan approved at each stage of project selection.

6.2 Criteria for Project Commitment

Prior to approving a commitment of subsidy assistance or requesting CMHC to approve an undertaking to insure, SHC will ensure that each commitment application meets all the Non-Profit Housing Program criteria and guidelines, without conditions which are beyond the power of the contracting parties to fulfill within the calendar year in which the commitment is made, and Section 13 of the Operating Agreement, where applicable.

6.2.1 Subsidy Assistance:

A commitment of subsidy assistance is deemed made when SHC approves a notice of commitment guaranteeing the provision of federal assistance under Section 56.1 of the Act and provincial assistance under the Saskatchewan Housing Corporation Act, subject to the execution of this agreement for provincially owned projects and a project operating agreement between SHC and the owner of all other projects.

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6.2.2 Term of Subsidy Commitment:

The approved notice of commitment obligates SHC and CMHC to provide operating assistance to the project for a period of 35 years or the useful life of the project as agreed to by CMHC and SHC, whichever is less.

6.2.3 Reporting Commitments:

The reporting of the authorized budget take-up shall be in terms of the number of units committed to be reported as specified in the Operating Agreement.

"Unit" means a unit or bed where a unit is a self-contained dwelling in detached or multiple housing form to be occupied by one eligible household; and a "bed" is the bed to be occupied by each individual resident in a special purpose housing project or hostel.

6.2.4 Loan Insurance:

An undertaking to insure capital financing is deemed made when CMHC approves an undertaking to insure under Part I of the Act.

6.2.5 Commitment Notification/Publicity:

All news releases or announcements pertaining to an allocation or commitment to a project will be in accordance with the Operating Agreement and program guidelines.

7. ADVANCING

7.1 Proposal Development Funding Loans

SHC will be responsible for approving and making accountable advances on proposal development funding loans, on behalf of CMHC and SHC. Such advances shall be secured by a promissory note and repayable from the first project loan advance.

7.2 Insured Loan Advances

SHC will be responsible for approving progress advances in accordance with program guidelines which will be made only after it has entered into a project operating agreement with each private non-profit, non-profit continuing cooperative, or municipal public non-profit project sponsor. SHC will provide CMHC reasonable access to all records and documentation pertaining to the authorization of insured loan advances.

7.3 Construction

SHC will be responsible for inspecting and monitoring all projects during construction to ensure compliance with all applicable codes, standards and program guidelines.

7.4 Final Costs

SHC will provide CMHC with a certified statement of final capital costs prepared in accordance with program guidelines for all approved projects no later than six months after the Interest Adjustment Date as defined in and on a form specified in program guidelines.

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8. PROJECT/PORTFOLIO ADMINISTRATION

8.1 Project Operating Agreements

All private non-profit, non-profit continuing cooperative and municipal public non-profit sponsors will enter into a project operating agreement, in a form specified in program guidelines, with SHC before receiving a commitment for subsidy assistance. Without limiting its scope, the project operating agreement will specify:

Publicity measures, rentals (tenant income verification, rent adjustments and application of the rent-to-income scale); leasing of housing units; contributions; other assistance; sale of project/units; care facilities/special purpose housing; project management; commercial and non-residential facilities; annual review; encumbrances; articles of incorporation/charges; books; accounts; audits; loan repayment; replacement reserves; discrimination; retention of documents; default; mortgage rollover; and interest rates.

Where SHC owns a project, all the above provisions of a project operating agreement shall apply and this Schedule shall be deemed to be the project operating agreement referred to in Section 91.1 of the National Housing Loan Regulations.

8.2 Project Administration

8.2.1 Project Advances:

SHC will ensure public and private non-profit and continuing cooperative housing sponsors are advanced

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sufficient funds to cover project operating losses
during the course of their fiscal year.

8.2.2 Financial Year-End:

SHC will ensure that sponsors/owners of each project
approved under this program have financial year-ends
on 31 December.

8.2.3 Project Monitoring:

SHC will monitor and undertake regular on-site inspec-
tions and financial reviews to ensure that project
sponsors manage their projects prudently and cost-
effectively and continue to respect all conditions in
their project operating agreements during the period
of the insured loan and payment of federal and provin-
cial subsidies.

8.2.4 Modernization and Improvement:

Expenditures for the modernization, improvement and
regeneration in excess of \$100 000 per project or
\$1 000 per unit in any one year must be part of a
comprehensive portfolio management strategy and
explicitly identified in Schedule B of the Operating
Agreement or be approved by CMHC on a project basis.

8.2.5 Prepayment:

The prepayment of the outstanding loan balance, the
sale of a project/unit or a change in a project's
charter can only take place with the approval of CMHC
and SHC.

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8.2.6 Management Training:

SHC may provide training and other aids to assist public and private non-profit sponsors and continuing cooperative groups to manage their projects effectively. Such expenditures can be cost shared and will be charged against management/administration, or within a project's annual operating budget.

8.2.7 Projects in Difficulty:

In the event that projects get into financial difficulty, SHC will advise CMHC and secure its approval of any solution or action that will affect the amount of the financing or the amount of subsidy assistance paid each year on the basis of eligible project costs.

8.3 Income Verification

SHC will ensure that all project sponsors verify, at least annually, the adjusted income of the households occupying units in the project and will take steps to ensure that the rent to be charged is adjusted accordingly and in a manner described in Appendix "1" of this Schedule.

8.4 Portfolio Administration

SHC will participate with CMHC and other provincial and territorial housing corporations in addressing portfolio management problems, issues and opportunities, in an ongoing effort to achieve economies and efficiencies.

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9. ELIGIBLE PROGRAM COSTS:

The eligible program costs will be shared 75/25 by Canada and Saskatchewan.

9.1 Non-Budgetary Expenditures

CMHC will pay 75 percent of the non-budgetary expenditures associated with interest-free proposal development funding loans to assist private non-profit and continuing cooperative sponsors to develop project proposals.

9.2 Budgetary Expenditures

9.2.1 Proposal Development Funding:

Eligible budgetary expenditures include the interest costs on proposal development funding loans for the period between when funds are advanced and the loan is repaid out of the first project loan advance. If the project does not proceed to commitment, the forgiveness of these loans will also be shared.

9.2.2 Project Operating Losses:

Subsidies for the eligible portion of projects without on-site care or support services are based on the difference between the eligible portion's share of actual annual operating costs and revenues, with rents based on household adjusted incomes and the rent-to-income scale as specified in Appendix "1" of this Schedule.

SHC may utilize a rent scale of its own, but operating

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losses eligible for assistance from Canada will be determined on the basis of whichever of the Saskatchewan scale or the Federal Rent-to-Income Scale produces the lowest annual operating losses. Any scale in use must be attached as Appendix "1" and must not result in occupant households remaining in core housing need.

Without limiting the scope, listed below are the revenue and expense line items which are acceptable to CMHC for cost-sharing:

- . Revenues: rents; parking; laundry; other.
- . Operating: taxes; insurance; maintenance; management; janitor; space heating; electrical power; water; sewer; garbage removal; modernization/ improvement/regeneration; replacement reserves (for private non-profit and continuing cooperative projects only); training; depreciation (equal to principal reduction on loan) and loan interest.

Subsidies for special purpose projects shall not exceed the difference between (a) the amount required to amortize the eligible project costs within the Maximum Unit Price of the housing project at an interest rate acceptable to CMHC over thirty-five years or the life of the project, whichever is less; and (b) the amount required to amortize the eligible cost of the project if the interest rate charged on such costs were two per cent per annum calculated semi-annually and not in advance.

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9.2.3 Program Delivery and Administration:

The eligible costs of delivery and administration shall be based on performance standards acceptable to CMHC and SHC.

9.2.4 Financing Interest:

Any financing interest payable on budgetary receipts and disbursements will be calculated at an interest rate acceptable to CMHC and SHC. Interest in such cases will be calculated on net expenditures to the date of reimbursement.

9.2.5 Publicity:

The cost of program and project publicity measures and materials as agreed upon by CMHC and SHC are eligible program costs.

10. BUDGETING AND CLAIMS

The financial reporting requirements for budgeting and claims are outlined in Appendix "3" to this Schedule and specified in program guidelines.

11. INFORMATION REQUIREMENTS

SHC will ensure that all information requirements outlined in Appendix "2" of this Schedule and specified in program guidelines, are provided to CMHC.

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Proposal development funding commitment information will be provided no later than five (5) working days after a commitment is made.

Where a comparative selection process for conditional allocations is being held prior to full project commitment, summary information on each project accepted and rejected will be provided by SHC to CMHC within 30 days following selection but no later than 30 September of the year in progress.

Commitment data will be provided no later than five (5) working days after a commitment is made. Updates to previously communicated commitment data will be transmitted on a similar basis.

Special program or project details permitting the drafting and distribution of news announcements pertaining to program and project allocations and commitments will be described in program guidelines.

Information pertaining to clients served by the program will be obtained once a year and no later than 31 March of the subsequent year. This will provide details on clients served in all units under administration or receiving subsidies through this agreement, as at 31 December of that year.

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Annual project operating data will support the final audited statement of expenditure and this, along with client information, will be used as the basis for adjustments in federal payments of subsidy assistance, if necessary.

In Witness Whereof, the parties hereto have set their hands and seals in execution of these presents.

Signed at _____ this 7 day of July
nineteen hundred and eighty-six in quadruplicate.

WITNESSED BY:

Christine S. Rump

SIGNED BY:

Canada Mortgage and
Housing Corporation

D. W. ...

Authorized Officer

J. Brown

Authorized Officer

Saskatchewan
Housing Corporation

Jordon Riga
Colleen Hart

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PROGRAM ELIGIBILITY

DEFINITION OF TOTAL HOUSEHOLD INCOME

For purposes of determining eligibility under this program, total household income is the total income of the household (before tax) from all sources for all persons in the household 15 years of age and over, as defined by Statistics Canada in its most recent Household Income, Facilities and Equipment data base documentation.

FEDERAL RENT-TO-INCOME SCALE

DEFINITION OF INCOME FOR DETERMINING BENEFITS

For purposes of establishing the rent to be paid, SHC will assess the annual "adjusted income" of the household in the following manner:

- Assess the income, in whatever form received, of each member of the household; income includes for example:
 - salary, wages, commissions, rents, investment income, part-time earnings, tips, alimony maintenance payments and child support received from a separated or divorced spouse;
 - Unemployment Insurance Benefits, Social Assistance, Mother's Allowance, Welfare;
 - Old Age Security Pension, Guaranteed Income Supplement, CPP/QPP pension, private pensions or annuities;
 - the first \$5 800 income, in whatever form received, of children or dependents of the household.
- Exclude from income the following, for each household member, if applicable:
 - family allowances, if they were included previously;
 - living-out or travelling allowances of any household member;
 - monies received from insurance settlements, inheritance, disability awards, sale of effects, capital gains;
 - the income, in whatever form received, of children or of dependents, if such children or dependents are in full-time school attendance;
 - work-related earnings of a single parent, working spouse or any other household member, excluding the household head, up to \$1 000 per year per qualifying household member;
 - for children or dependents not in full-time school attendance, the above-noted \$1 000 deduction can be applied against income in whatever form received.
- Calculate the total income of all household members, after having considered all eligible income exclusions. The result of this is the "annual adjusted income" of the household.

For the purpose of this rent-to-income scale, a child is a person, related by blood or marriage to other members of the household, and of 25 years of age or less. A dependent is a member of the household who is considered a dependent of another member of this household per the requirements of Revenue Canada. A dependent of 25 years or age or less qualifies for the same income definitions and exclusions provided to children of the household.

If any member of the household is self-employed, the work-related earnings of this household member will be the annual net income, as defined by Revenue Canada, before any personal income tax deductions, plus any capital cost allowance used in the determination of the above net income.

In all cases, a verification/confirmation of the income of household members must be obtained; for example, a statement signed by the employer, or in the case of the self-employed, a copy of the most recent income tax return or other evidence satisfactory to SHC.

For the purpose of calculating rent, boarders are considered as members of the household and their income shall be considered on the same basis as other household members in the determination of the rent. Room and board paid to the household head or spouse will not be considered as part of the household's income.

BASIC RENT

The basic rent will be determined on the basis of the household's annual "adjusted income", calculated on a monthly basis, and as applied against the following rent-to-income table.

RENT-TO-INCOME TABLE

MONTHLY INCOME AND RENT

Adjusted Income (\$)	Per Cent	Adjusted Income (\$)	Per Cent
192	16.7	349	23.8
201	17.4	358	24.0
210	18.1	367	24.3
220	18.6	376	24.5
229	19.2	386	24.6
238	19.7	395	24.8
247	20.2	404	25.0
256	20.7	416	25.0
266	21.1	428	25.0
275	21.5	440	25.0
284	21.8	452	25.0
293	22.2	464	25.0
303	22.4	476	25.0
312	22.8	488	25.0
321	23.1	500	25.0
330	23.3	508 and up	25.0
340	23.5		

If the household is in receipt of social assistance, whether or not social assistance is the principal source of income, the basic rent will be the greater of the shelter component of welfare or the rent as determined on the basis of the above table, in conjunction with the household's total adjusted income.

RENT ADJUSTMENTS

- The basic rent is that payment required on the part of the occupant(s) of the dwelling for fully serviced accommodation supplied with heat, water, hot water, stove and refrigerator.
- Where the client of the program must pay for any of the services identified as part of a fully serviced unit over and above their basic rent, such basic rent will be reduced by an amount which will take into account the client's additional expenses.
- Where services other than those identified as part of a fully serviced unit are provided, the basic rent will be increased to reflect the full economic costs of providing such services.
- There will be no rent maximum set unless specifically approved by CMHC.
- For a fully serviced unit, no rent will be set lower than \$32 per month.
- For an unserviced unit, no rent will be set lower than \$22 per month.

CLIENT INCOME FLUCTUATIONS

A client's rent will be set once a year and that rent will not be adjusted during the year for income increases. Rent reductions during the year will however be permitted in instances where a client household supplies documented evidence that its income has decreased to a level which would result in a rent reduction of \$10 per month or more.

INFORMATION REQUIREMENTS: SUMMARY

Pre-Commitment (for Competitive Situations ONLY):

- this data is provided following the completion of conditional unit allocations;
- the following generic data elements are provided for each project accepted or rejected in the project selection process:
 - sponsor's name and address;
 - proposed project's description:
 - location codes,
 - client type,
 - number of units by unit and building form,
 - new and existing,
 - maximum unit price;
 - proposed project costs:
 - total estimated costs,
 - cost (less equity) to MUP ratio,
 - equity contribution;
 - reasons for refusal of proposal (in narrative form).

Commitment Data:

- this data is submitted by way of a Notice of Commitment;
- the Notice of Commitment forms contain the following generic data elements:
 - client type served;
 - project location, codes and address;
 - applicant details, type, name and address;
 - proposal development funding (PDF):
 - amount approved,
 - amount previously approved,
 - account identification information;
 - project description:
 - description of building,
 - number of eligible and ineligible units by unit and building type,
 - use of floor area,
 - maximum unit price;
 - financial data pertaining to eligible and ineligible portions:
 - project financing, amount, terms, rates,
 - equity,
 - grants;
 - project eligible and ineligible capital costs:
 - land,
 - improvements (acquisition, construction, renovation, soft costs),
 - appraisal estimate;
 - project eligible and ineligible operating data:
 - eligible costs and revenues,
 - other costs and revenues,
 - subsidies, amount and sources;

Commitment Data: (Cont'd)

- project procurement and acquisition technique;
- account identification information.
- . updates to the individual commitment forms relating to budget data will be provided on approval of any changes. A final update on all other data which has changed since initial commitment will be provided with the final cost certification.

Client Data:

- . this data is provided once a year and pertains to those eligible clients receiving assistance that year;
- . the data provided will pertain to:
 - household composition,
 - household income and its source,
 - Native ancestry,
 - presence of special needs,
 - size and type of dwelling occupied,
 - rent paid,
 - condition and affordability of household's previous dwelling (only for clients newly served during the year; may be obtained through sampling of client records.)

Project Operating Data:

- . this data is provided once a year and contains the following generic data elements segregated (except for special purpose projects) for eligible and ineligible costs and revenues as applicable:
 - amortization (principal and interest),
 - project operating costs (such as financing charges, utilities, maintenance and replacement reserves),
 - project revenues (such as rents, parking and laundry),
 - management expenses,
 - modernization and improvements.

BUDGETING AND CLAIMS

The financial reporting requirements for budgeting and claims can be grouped by the following categories:

- A. Budget Preparation
- B. Budget Administration
- C. Commitments
- D. Claims
- E. Annual Information - Audited
 - Unaudited
- F. Budgetary Expenditure Accruals

For the Non-Profit Program, all budgeting, claims and reporting will be segregated into the following activities unless otherwise indicated:

Non-profit - Private - Regular
Non-profit - Private - Special Purpose
Non-profit - Co-ops
Non-profit - Public - Regular
Non-profit - Public - Special Purpose
Proposal Development Funding

A. BUDGET PREPARATION

A three-year financial plan is developed on an annual basis as part of the joint planning process. It identifies planned commitment levels, expenditure levels, and cash flow patterns over the planning period which includes the budget year and the following two years. Commitment activity is planned on a calendar basis whereas expenditure activity is planned on a 31 March fiscal year basis. Cash flow is presented on both a calendar and fiscal year basis for five years. Commitment, expenditure and cash flow estimates for the year preceding the budget year and the two years following the budget year are presented for planning, information and monitoring purposes only.

Budget limits for the budget year are established in Schedule B to the Operating Agreement.

Three-year plans will be established by activity for the following areas:

- 1. Commitments - Units
- 2. Commitments - Non-budgetary
- 3. Budgetary Expenditures
- 4. Cash Flow Forecast - Budgetary
 - Non-budgetary

1. Commitments - Units

Schedules of units committed and units placed under subsidy will be used to derive the forecasts of budgetary expenditures.

Data on characteristics of the proposed units (split between new construction and existing construction, average unit capital cost, total capital costs of the units that will be amortized, projected interest rates, average length of the subsidy, amortization terms, average annual operating costs and proposed dates of subsidy commencement ("phase-in rates")) will be required to support the calculations of budgetary expenditures.

A. BUDGET PREPARATION (Cont'd)

2. Commitments - Non-budgetary

Commitments for Proposal Development Funding will be expressed in terms of non-budgetary dollars required. The projected average loan amount and the number of units/projects assisted by Proposal Development Funding will also be provided. Commitments required in accordance with the Loan Insurance Agreement to finance the acquisition of a project in default will be expressed in terms of non-budgetary dollars required.

3. Budgetary Expenditures

For Non-profit, budgetary expenditures will be displayed by the following types of expenditure: operating costs, revenues, amortization, modernization and improvement, delivery and administration costs, and financing interest.

For Proposal Development Funding, the amount of loan forgiveness and the interest rate losses arising from the provision of interest-free loans will be provided.

Funds required to administer projects acquired in accordance with the Loan Insurance Agreement will be reported separately.

4. Cash Flow - Budgetary

A summary of the expected quarterly cash flow of budgetary expenditures will be provided to assist in cash management.

- Non-budgetary

A summary of the expected quarterly cash flow of non-budgetary expenditures for Proposal Development Funding will be provided to assist in cash management.

B. BUDGET ADMINISTRATION

The approved annual budget is contained in Schedule B of the Operating Agreement. Changes to an approved budget must be determined and communicated in accordance with the Operating Agreement and the guidelines.

C. COMMITMENTS

Commitments for assistance under the Non-Profit Program will be reported in units; commitments for Proposal Development Funding will be reported in capital (non-budgetary) dollars.

Commitments will be reported to CMHC by SHC on a notice of commitment form, no later than five (5) working days after the commitment is made.

CMHC will acknowledge receipt of the notice of commitment.

D. CLAIMS

Claims for settlement between CMHC and SHC will be submitted on a monthly basis within thirty days of the end of the month to which the transactions relate. Claims will contain sufficient information to permit:

- a) interim verification that the amounts being claimed or remitted are reasonable and within approved budgets;
- b) the recording of the necessary accounting entries relating to budgetary and non-budgetary expenditures and asset balances; and
- c) the monitoring of the status of the portfolio through continuity schedules of units committed, units under subsidy and asset balances.

The entire financial activity of the program shall be reported by SHC, together with each party's proportionate share of expenditures.

Budgetary expenditures related to prior year accruals will be reported.

Amounts claimed for budgetary expenditures may be based upon estimates of actual activity. Estimates must be adjusted to actual on a periodic basis in accordance with program guidelines.

The monthly claim for the Non-Profit Program will include:

1. Continuity Schedule: Units Committed/Under Subsidy

This schedule is required to monitor the number of units that have been committed in the program, those that are receiving subsidies, and those that are committed but not yet receiving assistance ("outstanding commitments").

Information provided includes the number of units committed, cancelled, or placed under subsidy during the month, and the number of units receiving subsidies during the month.

2. Continuity Schedule: Proposal Development Funding Loans

This report is required to monitor the number and amount of loans that have been committed, advances on those loans, outstanding commitments, loans forgiven and loan repayments.

3. Expenditures

A report of actual expenditures made or an estimate of expenditures incurred during the month is required to monitor the financial impacts of the program and to inform CMHC of its share of the expenditures.

The expenditures will be displayed by program activity and the following expenditure categories: net operating subsidies for eligible units, delivery and administration costs, financing interest, and Proposal Development Funding. Sufficient data will be provided to support the delivery and administration costs claimed. It is not necessary to provide detailed object of expenditure information in support of the claimed amounts.

The report will also disclose the respective share of the expenditures of CMHC and SHC and the amounts for which reimbursement is being requested by SHC.

E. ANNUAL INFORMATION - AUDITED

The audited statement of budgetary and non-budgetary expenditures will provide an independent verification of the proper use of funds in accordance with the Operating Agreement and program guidelines and will be used to determine the final amount payable to or recoverable from SHC for the calendar year ending 31 December.

The audited statement and its supporting schedules will contain information at a level similar to that provided on the monthly claims.

This statement and its supporting schedules will be accompanied by operating data at the project level as outlined in Appendix "2" (Information Requirements) of this Schedule and summarized by program activity. Project level operating data will be audited in accordance with program guidelines. Budgetary expenditures will be broken down by year of commitment in a supporting schedule. This schedule does not require audit and may be based on reasonable estimates.

Audited information will be submitted no later than 30 June.

ANNUAL INFORMATION - UNAUDITED

Annual outstanding commitment and asset balance information as at 31 December will be submitted for planning and monitoring purposes and to support information contained in CMHC's records.

Outstanding commitment information will be classified by year of commitment approval. This will include detailed listings of projects committed and not yet receiving assistance and proposal development funding not fully advanced.

This information is required to reconcile the detailed asset and commitment files maintained by CMHC to those of SHC.

Unaudited information must be submitted to CMHC no later than 31 January.

F. BUDGETARY EXPENDITURE ACCRUALS

Budgetary expenditures which have been incurred but not disbursed within the fiscal year ending 31 March and which, in accordance with program guidelines, should be charged to the budget for that year, will be reported by SHC by 30 April. This information will be certified by a senior financial officer of SHC.

